

## Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 /093 W  
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R 261500B JAN 75

FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 1929

INFO AMEMBASSY ROME

AMEMBASSY MADRID

AMCONSUL BARCELONA

AMEMBASSY ALGIERS

C O N F I D E N T I A L TRIPOLI 0111

E.O. 11652: GDS

TAGS: ENRG LY IT SP

SUBJECT: LIBYA BACKS DOWN IN GAS DISPUTE

1. FACED WITH APPARENT READINESS OF ITS MAIN  
ITALIAN CUSTOMER TO FIND ALTERNATIVE SOURCES OF  
SUPPLY, LIBYA HAS HAD TO CLIMB DOWN FROM DEMAND  
IT MADE LAST OCTOBER FOR SHARP RISE IN LNG PRICE  
FROM \$0.49 TO \$1.62 PER MILLION BTUS. WITH EXXON  
APPARENTLY ACTING AS INTERMEDIARY, LIBYANS HAVE NOW  
AGREED, ACCORDING TO ESSO LIBYA SOURCES, TO SPLIT  
DIFFERENCE BETWEEN OLD PRICE AND NEW FOR THREE YEAR  
PERIOD, AFTER WHICH NEW PRICE IS SUPPOSED TO COME  
INTO EFFECT. AGREEMENT IS COMPLICATED ONE, AND  
DETAILS AS WE HAVE BEEN SUPPLIED THEM BY ESSO ARE  
GIVEN BELOW.

2. UNDER NEW AGREEMENT ITALIANS WILL PAY NOR  
60/117 OF GAS AT 49 CENTS AND 57/117 AT \$1.61 FOR  
1975; 30/117 AT 49 CENTS AND 87/117 AT \$1.62 FOR  
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1976; AND 10/117 AT

49 CNTS AND 107/117 AT \$1.62

FOR 1977. THIS WILL EQUATE ROUGHLY TO \$1.057 FOB

TAX REFERENCE PRICE FOR 1975 WITH CIF COST TO

CUSTOMER AT \$.831 FOR 1975 AND \$1.15 IN 1977.

VARIOUS ESCALATOR CLAUSES RELATING TO WAGE RATES

AND FUEL OIL EQUIVALENTS ARE INCLUDED AND,

THEORETICALLY, AT LEAST, PRICES COULD EITHER RISE

OR FALL. WE HAVE MET NO ONE, HOWEVER, WHO CONSIDERS

NEW AGREEMENT WILL ACTUALLY BE IN FORCE FOR THREE YEARS.

3. SPANISH HAVE ASKED LIBYANS FOR SIMILAR COM-

PROMISE PRICE ON LNG PURCHASED FINAL QUARTER 1974.

THEY HAD BEEN BUYING AT PRICES BASED ON \$1.62 TAX

REFERENCE FOB PRICE AND ARE NOW ASKING THAT THEIR

ACCOUNTS BE RE-ADJUSTED TO THE \$1.057 FIGURE.

LIBYANS REFUSED TO ACCEDE AND SPANISH HAVE FILED

FOR ARBITRATION. SPANISH CONSUMPTION OF LIBYAN

LNG HAD, PRIOR TO OCTOBER 1, BEEN AT A RATE OF 54.8

TRILLION BTUS ANNUALLY; SINCE OCTOBER CONSUMPTION

HAS BEEN HALVED.

4. RESUMPTION SHIPMENTS LNG TO ITALY SHOULD

RESULT IN SUBSTANTIAL INCREASE IN LIFTINGS ESSO

CRUDE FROM LIBYA SINCE CURTAILMENT GAS PRODUCTION

HAD CUT ESSO'S GAS-RELATED CRUDE PRODUCTION.

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

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